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MACROECONOMIC POLICY QUESTIONS: FINANCING OF DEVELOPMENT, INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Kheireddine Ramoul (Algeria), on the basis of informal consultations held on draft resolution A/C.2/51/L.28

Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions

The General Assembly,

Reaffirming its resolution 50/91 of 20 December 1995, entitled "Global financial integration: challenges and opportunities", and Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

Expressing concern that a number of developing countries have become more vulnerable, in the course of liberalizing their external economic and financial regimes, to the volatile fluctuations of private capital flows in international financial markets, and stressing the importance at the national level in the countries concerned of a favourable climate for private financial flows, sound macroeconomic policies and appropriate functioning of markets,

Welcoming the initiative the Bretton Woods institutions have taken to address the question of the volatility of capital flows,

Recalling its resolution 50/227 of 24 May 1996, annex I, section VIII, on the relationship between the United Nations and the international finance and trade institutions, as well as other relevant resolutions,

1. Recognizes that technological advances have reduced the costs and increased the speed of international financial transactions and that, as policy liberalization has facilitated international capital flows, financial institutions have increasingly added foreign assets to their portfolios, paving the way towards the phenomenon of global financial integration;

2. Stresses that global financial integration presents new challenges and opportunities for the international community and that it should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions;

3. Notes that the globalization of financial markets can generate new risks of instability, including interest rate and exchange rate fluctuations and volatile short-term capital flows, which require all countries to pursue sound economic policies and to recognize the external economic impact of their domestic policies;

4. Stresses that sound domestic macroeconomic policies of each country in regard to promoting macroeconomic stability and growth are primary elements for determining private capital flows, and that the coordination of macroeconomic policies, where appropriate, and a favourable international economic environment play an important role in reinforcing their effectiveness;

5. Also stresses that implementation of sound domestic monetary, fiscal and structural policies over the medium term, including ensuring of sound banking systems, is required to promote financial and exchange rate stability;

6. Further stresses that Governments and international financial institutions have a contribution to make to reducing the risks of volatility of short-term capital flows and to promoting stability in domestic financial markets, within their respective competences;

7. Recognizes the progress made in improving risk management and transparency in international financial markets, such as the International Monetary Fund's improved surveillance capacities, standards for the provision of economic and financial information to markets and the creation of an emergency financing mechanism;

8. Also recognizes the progress made in establishing the new arrangements to borrow, which would effectively double the resources currently available to the International Monetary Fund under the General Arrangements to Borrow, and improve the Fund's ability to assist members in circumstances that could have systemic implications;

9. Recalls that, in the context of global financial integration, further efforts have to be taken, at both the national and international levels, to strengthen international economic cooperation;

10. Recognizes that a number of developing countries have been able to take advantage of the globalization of finance, and notes the need for the expansion of private capital flows and for broader access by all developing countries to those flows, and therefore the need for the international community

to assist low-income countries, especially those in Africa, in their efforts to create the enabling environment necessary to attract such flows;

11. Notes that a number of developing countries, among them most of the least developed countries, especially those of Africa, have not benefited from the globalization of finance and continue to be in great need of official development assistance;

12. Recognizes, in this context, that the regular lending programmes of the multilateral institutions, recent initiatives aiming at enhancing the confidence of the financial markets, and the operational activities of the United Nations system, inter alia, in promoting capacity-building for sound financial management, contribute to assisting recipient countries, particularly developing countries, in such adjustment and stabilization efforts as are conducive to their development process;

13. Welcomes Economic and Social Council resolution 1996/43 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions, and calls for its full implementation;

14. Notes that cooperation between the United Nations and the Bretton Woods institutions continues to be strengthened at the level of operational activities for development;

15. Considers that the strengthening of collaboration between the United Nations and the Bretton Woods institutions requires an integrated approach, encompassing a closer policy dialogue at the intergovernmental level on relevant areas of international development policy issues, taking into account their respective competences;

16. Underscores the need for encouragement of private flows to all countries, in particular to developing countries, while reducing the risks of volatility;

17. Emphasizes the need to explore ways to broaden appropriate enhanced cooperation and, where appropriate, coordination of macroeconomic policy among interested countries, monetary and financial authorities and institutions, so as to enhance preventive consultation arrangements between such institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly of developing countries, taking into account the needs of developing countries as well as situations that may have a significant impact upon the international financial system;

18. Reiterates the need for broadening and strengthening the participation of developing countries in the international economic decision-making process;

19. Welcomes the steps taken by the International Monetary Fund and recognizes the need for a stronger and central role for the Fund in surveillance of all countries, in a symmetrical manner;

20. Reaffirms the objective of promoting greater transparency and openness, including increasing participation of developing countries in the work

of the International Monetary Fund, with this objective also involving, among other elements, the regular and timely provision of economic and financial data by all Fund members;

21. Welcomes the decision of the Economic and Social Council that the theme of its high-level segment in 1997 would be the following: "Fostering an enabling environment for development - financial flows, including capital flows; investment; trade";

22. Requests the Secretary-General to report to the General Assembly, at its fifty-second session, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, on the implementation of the present resolution.